

Senate Study Bill 1003 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
ECONOMIC DEVELOPMENT BILL)

A BILL FOR

1 An Act providing for the establishment of an Iowa innovation
2 council foundation and making appropriations.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

IOWA INNOVATION COUNCIL FOUNDATION

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3 Section 1. Section 15.117A, subsection 6, Code 2011, is
4 amended by adding the following new paragraph:

5 NEW PARAGRAPH. *f.* Establish the Iowa innovation council
6 foundation pursuant to section 15.117B and provide an
7 annual report on the foundation's activities to the economic
8 development board, the governor, and the general assembly.
9 Sec. 2. NEW SECTION. 15.117B Iowa innovation council
10 foundation.

11 1. As used in this section, unless the context otherwise
12 requires:

13 *a.* "Board" means the board of directors of the foundation as
14 provided in subsection 3.

15 *b.* "Council" means the Iowa innovation council established
16 pursuant to section 15.117A.

17 *c.* "Foundation" means the Iowa innovation council foundation
18 established pursuant to subsection 2.

19 *d.* "Partner" means the same as defined in section 488.102.

20 *e.* "Targeted industries" means the same as defined in
21 section 15.411.

22 2. *a.* The council shall establish the Iowa innovation
23 council foundation as a nonprofit corporation organized under
24 chapter 504 and qualifying under section 501(c)(3) of the
25 Internal Revenue Code as an organization exempt from taxation.
26 Unless otherwise provided in this section, the foundation is
27 subject to the provisions of chapter 504.

28 *b.* The foundation shall be established so that donations and
29 bequests to it qualify as tax deductible under the federal and
30 state income tax laws.

31 *c.* The foundation shall be established for the purpose of
32 lessening the burdens of government in connection with the
33 public purpose of economic development in Iowa by fostering the
34 creation, growth, and expansion of innovative Iowa enterprises
35 engaged in a diversified range of primary industry sectors that

1 develop unique technologies, products, services, and supply
2 chains.

3 *d.* The foundation may receive and expend funds from public
4 and private sources and may use its property, money, or
5 other resources for the purpose of the foundation and for the
6 activities specified in subsections 4 and 5.

7 *e.* The foundation shall not be considered a state agency
8 and shall not be required to comply with any requirements that
9 apply to a state agency. The foundation shall not exercise any
10 sovereign power of the state.

11 *f.* The foundation does not have authority to pledge the
12 credit of the state, and the state shall not be liable for
13 the debts or obligations of the foundation. All debts and
14 obligations of the foundation shall be payable solely from the
15 foundation's funds.

16 3. *a.* The board of directors of the foundation shall be
17 comprised of the members of the council, and the board shall
18 serve without compensation.

19 *b.* The chairperson of the board shall be the chief
20 technology officer appointed pursuant to section 15.117.

21 *c.* The board shall appoint a chief executive officer to
22 manage the foundation.

23 4. The board shall direct and oversee the foundation's
24 activities and shall act to ensure all of the following:

25 *a.* That the foundation creates a strategic plan designed
26 to foster entrepreneurship across the state by identifying the
27 preconditions of innovation and aligning those preconditions in
28 ways that provide advantages to Iowa businesses.

29 *b.* That the foundation focuses its efforts on increasing
30 business innovation that creates permanent economic
31 opportunities and results in long-term economic growth.

32 *c.* That the foundation serves as a financing resource
33 for Iowa entrepreneurial enterprises by providing financial
34 assistance to such enterprises and by referring such
35 enterprises to private lenders, venture capital investors,

1 government agencies, and other entities providing financial
2 assistance.

3 *d.* That the foundation develops a process for evaluating
4 with due diligence the viability of the enterprises receiving
5 financial assistance pursuant to paragraph "c" in order to
6 maximize the return on investment in such enterprises.

7 *e.* That the foundation creates a mentoring system designed
8 to assist emerging entrepreneurs and accelerate the successful
9 commercialization of marketable technologies and intellectual
10 property.

11 *f.* That the foundation makes every effort to secure and
12 leverage all available public and private sources of funding
13 for expanding research, innovation, commercialization, and
14 entrepreneurship in the state.

15 *g.* That the foundation proposes an annual budget that
16 includes funding levels for each of the foundation's major
17 activities and that shows sufficient moneys are available to
18 support those activities.

19 *h.* That the foundation provides an annual report on its
20 activities to the council no later than June 30 of each year
21 and that the report does the following:

22 (1) Includes a financial audit conducted in accordance with
23 generally accepted accounting principles.

24 (2) Reviews the innovation and commercialization programs
25 and funding levels in other states and makes recommendations
26 for appropriate funding levels of similar programs in Iowa.

27 (3) Is readily available to the public.

28 5. The foundation may become a partner in a limited
29 partnership if the limited partnership is organized under
30 chapter 488 for the purpose of making investments in targeted
31 industries.

32 DIVISION II

33 APPROPRIATIONS

34 Sec. 3. Section 15.412, Code 2011, is amended by adding the
35 following new subsection:

1 NEW SUBSECTION. 4. Of the moneys in the fund, the
2 department shall allocate not more than five million dollars
3 for purposes of providing financial assistance to one or
4 more nonprofit organizations organized under chapter 504 and
5 qualifying under section 501(c)(3) of the Internal Revenue Code
6 as organizations exempt from taxation if such organizations
7 have been established for the purpose of lessening the
8 burdens of government in connection with the public purpose
9 of economic development in Iowa by fostering the creation,
10 growth, and expansion of innovative Iowa enterprises engaged in
11 a diversified range of primary industry sectors that develop
12 unique technologies, products, services, and supply chains.

13 Sec. 4. FINANCIAL ASSISTANCE FOR TARGETED
14 INDUSTRIES. There is appropriated from the general fund of
15 the state to the department of economic development for the
16 fiscal year beginning July 1, 2011, and ending June 30, 2012,
17 the following amount, or so much thereof as is necessary, to be
18 used for the purposes designated:

19 For providing financial assistance to one or more
20 enterprises investing in targeted industries:
21 \$ 25,000,000

22 To be eligible for financial assistance pursuant to this
23 section, an enterprise shall meet the following criteria:

24 1. The enterprise must be organized as a limited partnership
25 under chapter 488.

26 2. The enterprise must be organized for the following
27 purposes:

28 a. Securing public and private funding sources in order to
29 make investments in Iowa businesses competing in the targeted
30 industries.

31 b. Identifying and recruiting people with the ability to
32 serve as managers and executives of businesses in the targeted
33 industries.

34 c. Generating profits by investing in promising targeted
35 industry business ventures and using such profits to fund

1 further investments.

2 3. The enterprise must have as a partner a nonprofit
3 corporation organized under chapter 504, and qualifying
4 under section 501(c)(3) of the Internal Revenue Code as an
5 organization exempt from taxation, for the purpose of lessening
6 the burdens of government in connection with the public purpose
7 of economic development in Iowa by fostering the creation,
8 growth, and expansion of innovative Iowa enterprises engaged in
9 a diversified range of primary industry sectors that develop
10 unique technologies, products, services, and supply chains.

11 4. For purposes of this section, "targeted industries"
12 means the same as defined in section 15.411.

13 EXPLANATION

14 This bill provides for the establishment of an Iowa
15 innovation council foundation and makes appropriations to the
16 department of economic development.

17 The bill directs the Iowa innovation council, an agency
18 of state government, to establish a nonprofit organization
19 called the Iowa innovation council foundation. The foundation
20 must be established such that it is exempt from federal
21 income taxation and donations to it are tax deductible. The
22 foundation must be established for the purpose of lessening the
23 burdens of government in connection with the public purpose
24 of economic development in Iowa by fostering the creation,
25 growth, and expansion of innovative Iowa enterprises engaged in
26 a diversified range of primary industry sectors that develop
27 unique technologies, products, services, and supply chains.
28 The foundation is not a state agency, does not have to comply
29 with the requirements of a state agency, and cannot exercise
30 any of the sovereign powers of the state. The foundation
31 does not have authority to pledge the credit of the state,
32 and the state is not liable for the debts or obligations of
33 the foundation which are payable solely from the foundation's
34 funds.

35 The bill provides that the foundation is governed by a board

1 of directors comprised of the members of the Iowa innovation
2 council. The chief technology officer of the state is the
3 chairperson of the board. The board must appoint a chief
4 executive officer to manage the foundation.

5 The bill provides that the board must oversee the
6 foundation's activities and act to ensure that certain
7 activities specified in statute are conducted by the
8 foundation. The foundation must provide an annual report on
9 its activities to the council. The report must be provided no
10 later than June 30 of each year and must include a financial
11 audit, a review of other states' programs, and recommendations
12 for funding levels in Iowa. The report must be available to
13 the public.

14 The bill provides that the foundation is authorized to
15 become a partner in a limited partnership that is organized for
16 purposes of making investments in targeted industries.

17 The bill directs the department of economic development
18 to allocate up to \$5 million for purposes of providing
19 financial assistance to nonprofit organizations that have
20 been established for the purpose of lessening the burdens of
21 government in connection with the public purpose of economic
22 development in Iowa by fostering the creation, growth,
23 and expansion of innovative Iowa enterprises engaged in a
24 diversified range of primary industry sectors that develop
25 unique technologies, products, services, and supply chains.

26 The bill appropriates \$25 million from the general fund
27 of the state to the department of economic development for
28 purposes of providing financial assistance to enterprises
29 investing in targeted industries. To be eligible for such
30 assistance, an enterprise must be a limited partnership, be
31 organized for certain investment purposes, and include among
32 its partners a nonprofit organization established for the
33 purpose of lessening the burdens of government in connection
34 with the public purpose of economic development in Iowa by
35 fostering the creation, growth, and expansion of innovative

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1 Iowa enterprises engaged in a diversified range of primary
2 industry sectors that develop unique technologies, products,
3 services, and supply chains.